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Brazil Plans to Increase Meat Exports to Russia

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Approved by:

Geoffrey W. Wiggin

U.S. Embassy, Moscow

Prepared by:

Michael Smith and Mikhail Maximenko

Report Highlights:

Brazilian Minister of Agriculture presented a new Brazilian company which will export food products to Russia and other Eastern European countries.

Includes PSD changes: No
Includes Trade Matrix: No
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Brazil Creates New Company to Export to Russia

On September 28, 2001, the Brazilian Minister of Agriculture Marcus Vinisius Pratini de Moresa presented a new Brazilian company, BRF International Food, at the Balchug Hotel in Moscow. The audience consisted mainly of Russian meat traders and importers. The main purpose of the presentation was to announce that BRF will export food products to Russia and other Eastern European countries. According to the minister, BRF Trading Company was created by the two largest Brazilian meat processing companies Sadia and Perdigao with shared revenues of over \$5 billion. Both companies have established export markets worldwide, including in Europe, Asia, the Middle East, and Africa. BRF International Foods was founded for increasing Brazilian meat exports to developing countries, and is looking to take its turnover to \$500 million in the next five years. Brazilian exporters hope that this company will help significantly to increase meat exports to Russia through economies of scale.

During his comments Minister of Agriculture Pratini de Moresa pointed out characteristics and goals of Brazilian agriculture in Russia. In trade with Russia, Brazil is the largest exporter of sugar, the third largest overall meat exporter, including the largest exporter of pork. It ranks sixth in exporting tobacco to Russia, but plans to expand its share in that market. The safety of Brazilian food products was also among the topics discussed. According to the minister, the situation with animal diseases such as foot-and-mouth (FMD), Newcastle's disease, and pork rabies in Brazil is under control and transparent. He indicated that Brazil had three categories of agricultural products produced under isolated conditions in the country: 1) traditional production; 2) organic production; and 3) biotechnological production. Livestock are not fed bone meal, but soy bean meal. In the sphere of biotechnology, Brazil has developed a low fat pig that produces 95 percent chemically lean meat. The minister indicated that although there are some GMO products in Brazil, they not currently exported, but may be soon, as competition with the United States and Argentina is increasing. However, he stressed that the importer will be able to chose which types of products to buy.

The minister further stressed Brazil is against the use of non-market measures such as quotas to regulate markets, and that a free commercial environment is essential to the survival of agricultural producers. He further indicated that the requirement of having a Russian veterinarian present in Brazil to inspect and certify meat exports should be eliminated, as countries should trust each other's food safety systems. He expects the Russian ban on Brazilian beef precipitated by FMD outbreaks in Brazil to be lifted within one month.

Greater Cooperation with Russia Sought

Minister of Agriculture Pratini de Moresa spoke of Brazil's desire to develop closer economic cooperation with Russian importers, traders, and exporters. He noted that BRF International Foods will not just be exporting meat, but will also take a very close look at the Russian market to determine its needs. "We have arrived in Russia for a long stay," he said. The minister indicated that the new BRF Trading desires to provide a variety of meat to Russia, including pork, beef, and poultry, and plans to increase exports of beef casing for sausage. He announced

that Brazil is hoping to receive permission to export fresh beef to Russia. Currently, only shipments of meat for industrial processing are taking place. Brazil needs new markets for its beef, de Moresa said. His country is one of the world's largest beef producers, he noted, and exports 9.5 percent of its overall production. In addition, the minister said that Brazil also was looking at expanding its imports of Russian products such as fertilizers, metals, and nuclear reactors.

The Minister of Agriculture continued that the governments of Russia and Brazil do not have plans to sign long term trade agreements regarding meat imports from Brazil, nor are there any current plans to create a risk insurance program for exporters.

Will Brazil Succeed in Capturing the Russian Market?

During 2001 Brazil became the third largest meat exporter to Russia, shipping some 60,000 MT of pork and 28,000 MT of poultry in the first half of the year. The opportunities for Brazilian meat exports to Russia have improved in the recent year, as they have for other meat suppliers, as the Foot and Mouth disease, and BSE problems have cast a pall over products from Europe and as the EU has removed export subsidies on pork to Russia. The Brazilian government decries export subsidies as market distorting measures, and calls for the WTO to prevent countries from using them. However, Brazilian meat products are competitive in Russia partly because they receive preferential treatment as coming from a developing country, and the duties on its products are discounted 25 percent.

Reaction to the new Brazilian initiative was mixed, as the Brazilian delegation failed to address the central issue of concern to Russian importers: credit financing. During a lunch reception following the presentation, AgAttache learned from importers and traders that two contradictory marketing regulations in Russia and Brazil hinder trade between the two countries; Russian importers by law are restricted from transferring money to foreign accounts without first depositing an amount of money in the Russian bank equal to the value of the transaction. Meanwhile, Brazilian regulations specify that prepayment terms must be met before the goods can be exported. Hence, Russian traders and other brokers make a living by charging a fee for facilitating transactions through off-shore bank accounts. However, representatives from the Brazilian delegation later said that they are trying to work with the Brazilian banking system to fix the problem. For the time being, the trade believes that while imports from Brazil will likely grow, it will not be as a significant result from the new initiative.